

**REPORT OF THE AUDIT OF THE  
CARROLL COUNTY  
CLERK**

**For The Year Ended  
December 31, 2005**



**CRIT LUALLEN  
AUDITOR OF PUBLIC ACCOUNTS  
[www.auditor.ky.gov](http://www.auditor.ky.gov)**

**105 SEA HERO ROAD, SUITE 2  
FRANKFORT, KY 40601-5404  
TELEPHONE (502) 573-0050  
FACSIMILE (502) 573-0067**



## **EXECUTIVE SUMMARY**

### **AUDIT EXAMINATION OF THE CARROLL COUNTY CLERK**

**For The Year Ended  
December 31, 2005**

The Auditor of Public Accounts has completed the Carroll County Clerk's audit for the year ended December 31, 2005. Based upon the audit work performed, the financial statement presents fairly in all material respects, the revenues, expenditures, and excess fees in conformity with the regulatory basis of accounting.

#### **Financial Condition:**

Excess fees decreased by \$11,892 from the prior year, resulting in excess fees of \$12,972 as of December 31, 2005. Revenues decreased by \$185,172 from the prior year and expenditures decreased by \$173,280.

#### **Report Comment:**

- The County Clerk's Office Lacks An Adequate Segregation Of Duties

#### **Deposits:**

The Clerk's deposits were underpledged by \$20,665 as of April 5, 2005.



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CRIT LUALLEN  
AUDITOR OF PUBLIC ACCOUNTS

The Honorable Harold "Shorty" Tomlinson, Carroll County Judge/Executive  
Honorable Marketta K. Brock, Carroll County Clerk  
Members of the Carroll County Fiscal Court

Independent Auditor's Report

We have audited the accompanying statement of revenues, expenditures, and excess fees - regulatory basis of the County Clerk of Carroll County, Kentucky, for the year ended December 31, 2005. This financial statement is the responsibility of the County Clerk. Our responsibility is to express an opinion on this financial statement based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for County Fee Officials issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, the County Clerk's office prepares the financial statement on a regulatory basis of accounting that demonstrates compliance with the laws of Kentucky, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statement referred to above presents fairly, in all material respects, the revenues, expenditures, and excess fees of the County Clerk for the year ended December 31, 2005, in conformity with the regulatory basis of accounting described in Note 1.

In accordance with Government Auditing Standards, we have also issued our report dated March 13, 2006, on our consideration of the County Clerk's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.



The Honorable Harold "Shorty" Tomlinson, Carroll County Judge/Executive  
Honorable Marketta K. Brock, Carroll County Clerk  
Members of the Carroll County Fiscal Court

Based on the results of our audit, we have presented the accompanying comment and recommendation, included herein, which discusses the following report comment:

- The County Clerk's Office Lacks An Adequate Segregation Of Duties

This report is intended solely for the information and use of the County Clerk and Fiscal Court of Carroll County, Kentucky, and the Commonwealth of Kentucky and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Crit Luallen", with a long horizontal flourish extending to the right.

Crit Luallen  
Auditor of Public Accounts

Audit fieldwork completed -  
March 13, 2006



CARROLL COUNTY  
MARKETTA K. BROCK, COUNTY CLERK  
STATEMENT OF REVENUES, EXPENDITURES, AND EXCESS FEES - REGULATORY BASIS

For The Year Ended December 31, 2005

Revenues

State Fees For Services		\$	3,607
Fiscal Court			3,416
Licenses and Taxes:			
Motor Vehicle-			
Licenses and Transfers	\$	278,127	
Usage Tax		1,720,024	
Tangible Personal Property Tax		693,536	
Other-			
Fish and Game Licenses		1,582	
Marriage Licenses		5,244	
Occupational Licenses		25	
Deed Transfer Tax		25,703	
Delinquent Tax		51,328	2,775,569
Fees Collected for Services:			
Recordings-			
Deeds, Easements, and Contracts	\$	7,934	
Real Estate Mortgages		17,399	
Chattel Mortgages and Financing Statements		34,332	
Powers of Attorney		605	
All Other Recordings		12,205	
Charges for Other Services-			
Candidate Filing Fees		850	
Copywork		3,550	76,875
Other:			
Loan Information & Searches	\$	870	
Phone and Fax		606	
Postage and Handling		255	
Miscellaneous		917	2,648
Interest Earned			986
Total Revenues		\$	2,863,101

The accompanying notes are an integral part of this financial statement.

CARROLL COUNTY  
MARKETTA K. BROCK, COUNTY CLERK  
STATEMENT OF REVENUES, EXPENDITURES, AND EXCESS FEES - REGULATORY BASIS  
For The Year Ended December 31, 2005  
(Continued)

Expenditures

Payments to State:

Motor Vehicle-

Licenses and Transfers \$ 202,922

Usage Tax 1,667,663

Tangible Personal Property Tax 236,964

Licenses, Taxes, and Fees-

Fish and Game Licenses 1,635

Delinquent Tax 6,172

Legal Process Tax 10,307 \$ 2,125,663

Payments to Fiscal Court:

Tangible Personal Property Tax \$ 72,445

Delinquent Tax 4,326

Deed Transfer Tax 24,417

County Board of Elections 576 101,764

Payments to Other Districts:

Tangible Personal Property Tax \$ 356,385

Delinquent Tax 27,795 384,180

Payments to Sheriff 516

Payments to County Attorney 6,917

Operating Expenditures:

Personnel Services-

Deputies' Salaries \$ 106,091

Employee Benefits-

Employer's Paid Health Insurance 26,414

Contracted Services-

Advertising 193

Printing and Binding 1,602

CARROLL COUNTY  
MARKETTA K. BROCK, COUNTY CLERK  
STATEMENT OF REVENUES, EXPENDITURES, AND EXCESS FEES - REGULATORY BASIS  
For The Year Ended December 31, 2005  
(Continued)

Expenditures: (Continued)

Operating Expenditures: (Continued)

Materials and Supplies-

Office Supplies and Subscriptions \$ 4,073

Recording Supplies and Subscriptions 4,337

Other Charges-

Computer Maintenance 7,887

Dues 430

Postage 2,966

Repairs 460

Office Equipment 271

Conventions and Travel 584

Internet 511

Refunds 685

Bad Check Expense 557

Miscellaneous 151 \$ 157,212

Debt Service:

Lease Purchases 3,206

Total Expenditures \$ 2,779,458

Net Revenues \$ 83,643

Less: Statutory Maximum 67,071

Excess Fees \$ 16,572

Less: Expense Allowance 3,600

Excess Fees Due County for 2005 \$ 12,972

Payment to Fiscal Court - January 24, 2006 12,933

Balance Due Fiscal Court at Completion of Audit \$ 39

CARROLL COUNTY  
NOTES TO FINANCIAL STATEMENT

December 31, 2005

Note 1. Summary of Significant Accounting Policies

A. Fund Accounting

A fee official uses a fund to report on the results of operations. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

A fee official uses a fund for fees to account for activities for which the government desires periodic determination of the excess of revenues over expenditures to facilitate management control, accountability, and compliance with laws.

B. Basis of Accounting

KRS 64.820 directs the fiscal court to collect any amount, including excess fees, due from the County Clerk as determined by the audit. KRS 64.152 requires the County Clerk to settle excess fees with the fiscal court by March 15 each year.

The financial statement has been prepared on a regulatory basis of accounting, which demonstrates compliance with the laws of Kentucky and is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Under this regulatory basis of accounting, revenues and expenditures are generally recognized when cash is received or disbursed with the exception of accrual of the following items (not all-inclusive), at December 31, that may be included in the excess fees calculation:

- Interest receivable
- Collection on accounts due from others for 2005 services
- Reimbursements for 2005 activities
- Payments due other governmental entities for December tax and fee collections and payroll
- Payments due vendors for goods or services provided in 2005

The measurement focus of a fee official is upon excess fees. Remittance of excess fees is due to the County Treasurer in the subsequent year.

C. Cash and Investments

At the direction of the fiscal court, KRS 66.480 authorizes the County Clerk's office to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

CARROLL COUNTY  
NOTES TO FINANCIAL STATEMENT  
December 31, 2005  
(Continued)

Note 2. Employee Retirement System

The county officials and employees have elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a cost-sharing, multiple-employer defined benefit pension plan that covers all eligible full-time employees and provides for retirement, disability, and death benefits to plan members.

Benefit contributions and provisions are established by statute. Nonhazardous covered employees are required to contribute 5.0 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 8.48 percent for the first six months and 10.98 percent for the last six months of the year.

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65.

Historical trend information pertaining to CERS' progress in accumulating sufficient assets to pay benefits when due is presented in the Kentucky Retirement Systems' annual financial report which is a matter of public record. This report may be obtained by writing the Kentucky Retirement Systems, 1260 Louisville Road, Frankfort, Kentucky 40601-6124, or by telephone at (502) 564-4646.

Note 3. Deposits

The County Clerk maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC). According to KRS 66.480(1)(d) and KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the County Clerk and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. The County Clerk entered into a written agreement with the depository institution and met requirements (a), (b), and (c) stated above. However, as of April 5, 2005, the collateral and FDIC insurance together did not equal or exceed the amount on deposit, leaving \$20,665 of public funds uninsured and unsecured.

CARROLL COUNTY  
 NOTES TO FINANCIAL STATEMENT  
 December 31, 2005  
 (Continued)

Note 3. Deposits (Continued)

The county official's deposits are categorized below to give an indication of the level of risk assumed by the county official as of April 5, 2005.

	<u>Bank Balance</u>
FDIC insured	\$ 100,000
Collateralized with securities held by pledging depository institution in the county official's name	101,781
Uncollateralized and uninsured	<u>20,665</u>
Total	<u><u>\$ 222,446</u></u>

Note 4. Grant

The County Clerk has a local records microfilming grant from the Kentucky Department for Libraries and Archives. There was no activity in this fund for the year with the exception of \$2 earned interest. The unexpended grant balance was \$1,273 as of December 31, 2005.

Note 5. Lease

The office of the County Clerk was committed to a lease agreement with Canon Business Solutions for a copier. The agreement requires a monthly payment of \$265 for 30 months to be completed on November 11, 2006. The total balance of the agreement was \$2,915 as of December 31, 2005.

COMMENT AND RECOMMENDATION





CARROLL COUNTY  
MARKETTA K. BROCK, COUNTY CLERK  
COMMENT AND RECOMMENDATION

For The Year Ended December 31, 2005

INTERNAL CONTROL - REPORTABLE CONDITION AND MATERIAL WEAKNESS:

The County Clerk's Office Lacks An Adequate Segregation Of Duties

We noted the lack of an adequate segregation of duties for the internal control structure and its operation that in our judgment is a reportable condition under standards established by the American Institute of Certified Public Accountants. Due to the entity's diversity of official operations, small size, and budget restrictions, the official has few options for establishing an adequate segregation of duties. Management has considered and rejected additional cost when setting budget limits on spending on salaries and therefore accepts the degree of risk for a lack of an adequate segregation of duties. Therefore, the Auditor of Public Accounts has judged the lack of an adequate segregation of duties as a reportable condition and a material weakness.

Because of the limitations of the Clerk's office, it appears that only compensating controls may achieve a proper segregation of duties. Compensating controls require the Clerk's direct supervision over receipts and disbursements and include, but are not limited to, the following:

- 1) Cash recounted and deposited by Clerk.
- 2) Surprise counts on cash drawers performed by the Clerk.
- 3) Reconciliation by the Clerk of daily Avis reports to receipts for usage tax, license fees, and tangible personal property taxes.
- 4) Reconciliation by the Clerk of other monthly collection reports to source documents and the receipts and disbursements ledgers.
- 5) Requiring dual signatures on checks with one being that of the Clerk.
- 6) Examination by the Clerk of payroll checks prepared by another employee and delivering said checks.
- 7) Examination by the Clerk for proper documentation of other disbursement checks prepared by another employee.
- 8) Disbursements mailed by the Clerk.
- 9) Requiring employees to be cross-trained.
- 10) Requiring employees to take mandatory vacations.
- 11) Bank reconciliations prepared by the Clerk.

We recommend that these controls be performed in order to offset a lack of adequate segregation of duties. Documentation of these controls should be maintained for the auditor to verify their existence.

*County Clerk's Response: None*

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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND  
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL  
STATEMENT PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS





CRIT LUALLEN  
AUDITOR OF PUBLIC ACCOUNTS

The Honorable Harold "Shorty" Tomlinson, Carroll County Judge/Executive  
Honorable Marketta K. Brock, Carroll County Clerk  
Members of the Carroll County Fiscal Court

Report On Internal Control Over Financial Reporting And  
On Compliance And Other Matters Based On An Audit Of The Financial  
Statement Performed In Accordance With Government Auditing Standards

We have audited the statement of revenues, expenditures, and excess fees - regulatory basis of the Carroll County Clerk for the year ended December 31, 2005, and have issued our report thereon dated March 13, 2006. The County Clerk's financial statement is prepared in accordance with a basis of accounting other than generally accepted accounting principles. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Carroll County Clerk's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statement and not to provide an opinion on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the entity's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statement. The reportable condition is described in the accompanying comment and recommendation.

- The County Clerk's Office Lacks An Adequate Segregation Of Duties

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statement being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we consider the reportable condition described above to be a material weakness.



Report On Internal Control Over Financial Reporting And  
On Compliance And Other Matters Based On An Audit Of The Financial  
Statement Performed In Accordance With Government Auditing Standards  
(Continued)

Compliance And Other Matters

As part of obtaining reasonable assurance about whether the Carroll County Clerk's financial statement for the year ended December 31, 2005, is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

This report is intended solely for the information and use of management and the Kentucky Governor's Office for Local Development and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Crit Luallen", with a long horizontal flourish extending to the right.

Crit Luallen  
Auditor of Public Accounts

Audit fieldwork completed -  
March 13, 2006

